



John Elias Baldacci
Governor

John R. Nicholas
Commissioner

**Maine Department of Health and Human Services
11 State House Station
Augusta, Maine 04333-0011**

Drinking Water Program

July 19, 2004

To: Owner or Operators of Public Water Systems

From: Roger Crouse, P.E. Assistant Director, Drinking Water Program

Subject: Drinking Water State Revolving Loan Fund Annual Project Request

The 1996 Amendments of the Safe Drinking Water Act (SDWA) authorized the creation of a Drinking Water State Revolving Loan Fund (DWSRF) to assist public water system in financing infrastructure improvements needed to achieve or maintain compliance with the SDWA.

The Drinking Water Program (DWP) is requesting project applications for the 2005 DWSRF. After project information is received, each project will be prioritized in accordance with the ranking system established in the 2005 DWSRF Intended Use Plan (IUP). Once prioritized, the projects will be used to develop the Primary and Backup Project lists and placed in the 2005 IUP. This IUP will be made available for public review and comment before inclusion in the 2005 DWSRF grant application to the US Environmental Protection Agency (EPA).

Public Water Systems with projects planned for construction in 2005 should submit project information using the enclosed forms by **September 17, 2004**. Each application must include the Standard Form for Reporting DWSRF Eligible Projects and the Estimated Project Cost form. The project information supplied should be as accurate as possible. **A separate form should be completed for each project.** The DWP recommends that systems secure the services of a qualified consulting firm, familiar with the DWSRF process, to assist them in the completion of this project information request. In addition to the information on the form, the DWP asks PWS's to submit any other available information pertinent to the project, such as facility plans, alternative analyses, pilot studies, preliminary engineering reports, design reports, etc. If these engineering plans, studies, and/or reports are not available, but will be available at a later date, the DWP asks that PWS's submit them as they become available. The receipt of this information will help the DWP in properly ranking projects.

Status of project information previously submitted to the DWP

If you applied for the 2004 DWSRF and your project was listed on the 2004 Primary Project list, you do not need to resubmit your project for the 2005 DWSRF project list. However, you must contact the DWP to confirm that you want your project to remain on the list. All unfunded projects on the Primary Project list can be carried forward for one year and reprioritized with all new submittals.

All other previously submitted projects must be resubmitted for inclusion in the 2005 DWSRF project list.

Available Funds

The DWP anticipates receiving approximately \$8 million from the 2005 grant award. These funds will provide financial assistance to community and non-community, non-profit PWS's for DWSRF eligible infrastructure projects receiving the highest priority rank planned for construction during the 2005 and 2006 seasons.

Eligibility

A list of eligible and non-eligible water systems and projects are shown in the Terms and Conditions section found in **Attachment A**.

Proposed Schedule for the 2005 DWSRF Program Implementation

The DWP has developed a tentative schedule below for 2004 DWSRF activities:

Project application deadline.....	September 17, 2004
Projects prioritized, placed in IUP.....	October 15, 2004
IUP available for public review.....	November 1, 2004
Public review and comment meetings.....	week of November 15, 2004
End of written comment period.....	December 3, 2004
2003 DWSRF Grant Application submission to EPA Region I....	January 14, 2005
Grant Award by EPA Region I.....	March, 2005

Technical/administrative questions regarding the 2005 DWSRF application process should be directed to Roger Crouse at (207) 287-5684 or Nate Saunders at (207) 287-5685. Questions regarding loan applications and the loan approval process should be directed to Karen Asselin at the Maine Municipal Bond Bank at (207) 622-9386 or (800) 821-1113.

Attachment A

DWSRF Terms and Conditions

1) Water System and Project Eligibility

Who is eligible?

The Drinking Water State Revolving Loan Fund (DWSRF) provides assistance to any community system, either publicly and privately owned, and also to any non-profit non-community system. So, what does this mean? For communities, any system that serves year round residents, such as water utilities, water districts, water departments, water companies, associations, apartment complexes or mobile home parks. On the non-community side, it includes schools and non-profit seasonal or year round establishments. There are approximately 800 public water systems that currently qualify for the DWSRF Program.

Who is not eligible?

Any water system that serves a federal facility or is a for-profit non-community system is ineligible. Any public water system that does not have adequate technical, financial or managerial capacity to ensure compliance with the Safe Drinking Water Act (SDWA) is ineligible unless the public water system will undertake appropriate changes. Any public water system that is in significant non-compliance (SNC) with the SDWA is ineligible for funding unless the DWSRF funds will be used to address the reason for the SNC.

Which projects are eligible?

Eligible projects include:

- Public health related projects.
- Projects which primary purpose is compliance with existing and future requirements of the Safe Drinking Water Act.
- Planning, pilot study, environmental assessment and design costs for eligible projects.
- Land Acquisition:
 - Needed for an eligible project.
 - For source water protection.
 - Land integral to the water system.
- Cost of restructuring or facility consolidation for systems that lack the technical, managerial and financial capacity to maintain their system.
- Projects that replace aging infrastructure.
- Source water protection measures.
- Refinancing of eligible projects for debt incurred after July, 1, 1993. Water rates must exceed the maximum water rate goal as described in the Intended Use Plan.

Which projects are ineligible?

Ineligible projects include:

- Projects which primary purpose is system expansion or future growth.
- Projects which primary purpose is fire protection.
- Laboratory fees for monitoring.

- Operation and maintenance expenses.
- Land acquisition:
 - Necessary for the construction of dams or reservoirs for the storage of non-potable water.
 - Land taken by eminent domain.
- Construction of dams or reservoirs for the storage of non-potable water.
- Purchase of water rights.
- Refinancing of projects for any privately owned water system.

2) Types of Assistance/ Use of Funds

Loans for standard projects

- Interest rates are set at two percent below the Maine Municipal Bond Bank's cost of funds.
- Principal repayments must begin no later than one year after project completion.
- Up to 20-year repayment term with shorter terms for loans less than \$250,000.
- May have separate loans for planning, design and construction projects.
- Water systems must establish a dedicated source of loan repayment.
- All repayments, principal and interest, must return to the DWSRF for future fund use.

Loans to disadvantaged communities

- States have authority to decide the availability of disadvantage assistance funds, the terms and conditions of the loans, and the definition of a disadvantaged community.
- Interest rates may be reduced to zero percent.
- Assistance can be in the form of loan "principal forgiveness."
- Loan repayments can be extended up to 30 years or for the life expectancy of the project.
- A maximum of 30 percent of the annual federal capitalization grant allotment can be used for disadvantaged assistance.

Buy or refinance existing debt obligation

- All refinanced loan payments must return to the DWSRF for future fund use.
- Refinancing applies to all project costs that incurred after July 1, 1993 and before a loan agreement is finalized.
- Privately owned water systems are not eligible for refinancing.